

THE LEONARD LETTER

February 28, 2005

QUOTE OF THE WEEK

"To be controlled in our economic pursuits means to be controlled in everything."

-- Fredrich August von Hayek

(1899-1992), Nobel Laureate of Economic Sciences 1974

UNDER THE DOME

*****Bill Introduction Update*****

As of the extended deadline for introducing new bills last Tuesday, 1,733 Assembly bills and about 1,100 Senate bills had been put across the desks. The offices of the Legislative Counsel and Chief Clerk tell me the delay was caused by difficulties associated with a major software upgrade. When the bugs are worked out, the new system should allow better and more complete information for both legislators and the public.

*****Exercising Self-Control*****

I heard someone this week explain how being disciplined and regimented ultimately leads to greater freedom. Though most of us struggle with this concept when facing a plate of freshly baked chocolate chip cookies, we all have worked to teach our children this discipline because it is an integral part of becoming a happy, productive adult. This week, the temptation under the dome was not baked goods but news from the LAO that California will have more than \$2 billion in unanticipated revenue this fiscal year. (By the way, that \$2 billion represents 2.3% of overall revenue, well within the margin of error for estimating revenue.) Will legislators be able to exercise discipline and use the money to pay down our debt? Begin building a prudent reserve? Consider developing an infrastructure program to enhance our state's beleaguered freeways, schools and prisons? Doing these things will lead to greater freedom and prosperity for California in the long run, but the majority of legislators will be tempted to use the newfound revenue to avoid reigning in runaway spending in government programs, particularly in the health and welfare areas. They will also face continued pressure from the education lobby who do not believe that the extra \$2 billion they are getting in the Governor's proposed budget is enough of an increase. If you are an adult who understands the need for discipline, who believes in paying down debt in good times, and who supports saving and investing as a means to a more secure future, then I encourage you to contact your legislators and counteract the spend-spend-spend lobby before they make off with this new money, too.

*****Behind the Grade*****

Several news articles and commentators this week noted that California was given a C- in Governing magazine's annual report card on government performance. The article noted weaknesses in our budget process, purchasing/contracting processes, and strategic workforce planning, among other areas. To read in greater detail why California had the worst average grade in the nation, see http://results.gpponline.org/StateOverview.aspx?stateconst=STATE_CA and click on California Report on the right hand side of the page.

TAX UPDATE

*****What's in a Tax Credit?*****

In the debate over the Manufacturers Investment Tax Credit many criticize the concept of giving sales tax rebates to companies that stay in California. The media has portrayed these rebates as taxpayer subsidy of corporate profit. What you do not read about in the media are the other state tax credits that companies can use in California. Like the MIC, these credits represent a fraction of the total amount spent by the company on that particular purpose so that the state's money is leveraged. I counted nearly 20 such tax credits. For example, we give a 20% credit for money investment into a community development financial institution; 50% of the costs incurred for transporting agricultural products donated to nonprofit charitable organizations; 30% of employer contributions to child care plans or construction of a child care facility; 50% of costs to rehabilitation farmworker housing; 10% of the cost of property and a percentage of wages related to building the Joint Strike Fighter aircraft; incentives to do business in a military base recovery area; credit for building low-income housing; a percentage of research activities conducted in the state; 55% of the fair market value of donations under the Natural Heritage Preservation program; and a percentage of the cost of purchasing and installing a solar or wind energy system that produced electricity. Most of these credits encourage companies to do things they otherwise would not do (e.g., invest in enterprise zones, child care, or farmworker housing) and other credits that help the company's bottom line by encouraging them to stay in CA (e.g., the research credit).

MISCELLANY

*****What is Freedom of Speech?*****

This week's news included a speech by embattled University of Colorado at Boulder Professor Ward Churchill who basically said the victims of 9/11 deserved to be murdered. One of the best rebuttals to the Professor's ranting was delivered by Newt Gingrich and summarized by Jim Geraghty of National Review Online. Mr. Geraghty listened to Gingrich at the American Enterprise Institute and reports these comments, noting that the quote is not exact:

“Ward Churchill is a viciously anti-American demagogue. He has every right to free speech, and I support his free speech... We should give him free speech by not paying him.

“You don’t need tenure in this country anyway. The idea that he would be oppressed without tenure is nonsense. There are 75 whacked-out foundations that would hire him for life. Dozens of Hollywood stars would hold fundraisers for him. His life will become a film by Michael Moore.

“The question here, is ‘What obligation does society have to fund its own sickness?’

“We ought to say to campuses, it’s over... We should say to state legislatures, why are you making us pay for this? Boards of regents are artificial constructs of state law. Tenure is an artificial social construct. Tenure did not exist before the twentieth century, and we had free speech before then. You could introduce a bill that says, proof that you’re anti-American is grounds for dismissal.”

Gingrich’s comments are worthy of serious consideration. Our public universities cannot serve the public if they continue to hire people from one narrow extreme political ideology.

***** A Good Read *****

Human Events next recommended great American biography is “R.E. Lee” by Douglas Southall Freeman. This hefty, four-volume work won the Pulitzer Prize in 1935. Freeman spent 19 years writing the biography, which explains in great detail the agonizing decision Lee faced when Virginia seceded. Lee was not a supporter of succession, but he could not bring himself to bear arms against his home state. Lee went on to lead the Confederate Army and did so as a distinguished gentleman, even in defeat. The book does not end with that defeat but continues to discuss Lee’s presidency of what is now known as Washington & Lee University. The theme of the book is Lee’s dignity and gentlemanly manners and is full of lessons in public behavior that are valuable to this day.

BOE AND LEGISLATIVE DATES

February 1 – March 31, 2005 --- Application period for tax amnesty.

March 17, 2005 --- Legislature’s spring recess begins.

March 28, 2005 --- Cesar Chavez’s birthday observed.

March 29, 2005 --- Legislature reconvenes from spring recess.

April 29, 2005 --- Last day for policy committees to hear and report fiscal bills.

NOTABLE DATES/ HISTORY

February 28, 1854 --- A group of slavery opponents met in Ripon, WI, calling for a new political group, which later became the Republican Party.

February 28, 1993 --- Alcohol, Tobacco and Firearms agents attempted to serve warrants on the Branch Davidian compound near Waco, Texas, triggering a 51-day siege.

February 28, 1995 --- U.S Marines landed in Somalia to protect the retreating UN peacekeeping force.

March 1, 1781 --- The Continental Congress adopted the Articles of Confederation.

March 1, 1790 --- Congress authorized the first Census.

March 1, 1872 --- Congress authorized Yellowstone National Park.

March 1, 1932 --- The infant son of Charles and Anne Lindbergh was kidnapped from their home near Hopewell, New Jersey.

March 1, 1961 --- President John F. Kennedy established the Peace Corps.

March 2, 1917 --- Puerto Ricans were granted U.S. citizenship.

March 2, 1995 --- The United Nations evacuated the last of its peacekeeping forces from Somalia.

March 3, 1991 ---LAPD officers stopped motorist Rodney King and beat him. The event was captured on amateur video.

March 3, 1992 --- President George H.W. Bush apologized for having raised taxes after promising "read my lips, no new taxes."

March 4, 1801 --- Thomas Jefferson became the first U.S. president inaugurated in Washington, D.C.

March 4, 1933 --- Franklin D. Roosevelt was sworn in for his first term as U.S. President.

March 4, 1952 --- Ronald Reagan and Nancy Davis were married.

March 5, 1770 --- British soldiers killed five colonists who had been taunting them, an event that came to be called the Boston Massacre.

March 5, 1946 --- British Prime Minister Winston Churchill delivered his 'Iron Curtain' speech at Westminster College in Fulton, MS.

March 5, 1982 --- Actor-comedian John Belushi died of a drug overdose in Hollywood at age 33.

March 6, 1836 --- Davy Crockett died as the Alamo fell to Mexican troops, ending a 13-day siege in San Antonio, TX.

March 6, 1857 --- The Supreme Court ruled that slave Dred Scott could not sue for his freedom in federal court.

March 6, 1944 --- U.S. planes bombed Berlin for the first time during World War II.

March 6, 1990 --- The Soviet government allowed its citizens to own factories and hire workers.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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